



Legislative Finance Committee

57th Montana Legislature

Room 110, State Capitol, ? P.O. Box 201711 ? Helena, MT 59620-1711 ? (406) 444-2986 ? FAX (406) 444-3036

HOUSE MEMBERS

DAVE LEWIS, CHAIRMAN
GARY FORRESTER
JOEY JAYNE
DAVE KASTEN
WILLIAM PRICE
JOE TROPILA

SENATE MEMBERS

GREG JERGESON, VICE CHAIRMAN
BOB KEENAN, SECRETARY
ROYAL JOHNSON
LINDA NELSON
EMILY STONINGTON
TOM ZOOK

MINUTES

December 6 & 7, 2001
Hearing Room 102, State Capitol
Helena, Montana

ROLL CALL FOR DECEMBER 6, 2001

Rep. Dave Lewis
Rep. Gary Forrester
Rep. Joey Jayne
Rep. Dave Kasten
Rep. William Price
Rep. Joe Tropila
Sen. Greg Jergeson
Sen. Royal Johnson
Sen. Bob Keenan
Sen. Linda Nelson
Sen. Emily Stonington
Sen. Tom Zook
Clayton Schenck, Legislative Fiscal Analyst
Cindy Campbell, Committee Secretary

Call to Order (Tape 1A-010)

The 180th meeting of the Legislative Finance Committee (LFC) was called to order at 1:00 p.m. by Representative Dave Lewis, Chair, on Thursday, December 6, 2001. The meeting was held in Hearing Room 102 of the State Capitol, Helena, Montana.

1. Approval of Minutes for October 5, 2001 (Tape 2A-123)

Senator Zook moved the minutes of the October 5, 2001, meeting be approved as presented.

VOTE: The motion carried unanimously.

2. Informational Reports (Tape 1A-001)

Taryn Purdy, Principal Fiscal Analyst, presented the operating plan changes and budget amendments summary report. (Exhibits 1-1C) She reported the Legislative Fiscal Division (LFD) staff raised no issues with either the operating plan changes or budget amendments. Gerald LaChere, Director for the Montana State Lottery Program, responded to questions from **Senator Johnson** regarding the lottery.

3. Authority of the Legislative Finance Committee: Legal/Other (Tape 1A-051)

Taryn Purdy presented information regarding the authority of the LFC. (Exhibit 2) She summarized the background of this issue, which arose at the last LFC meeting, and presented various options for possible action by the committee. Ms. Purdy explained that the LFC has different options and may wish to pursue different actions based upon whether the issue is of noncompliance with or ambiguity of the law in question.

Greg Petesch, Legal Services Director, addressed the committee on this issue and explained the authority given the LFC. He stated that the LFC has no final decision-making authority; although the legislature, as a whole, does have that authority. Mr. Petesch talked about the LFC's power of persuasion and the fact that most LFC members sit on the House Appropriations and Senate Finance and Claims committees. He further explained that the constitution provides that HB2 cannot contain substantive language, but the legislature could attach conditions to HB2. Mr. Petesch distributed copies of the Attorney General's Office Guidelines for Opinion Requests, June 1989, and told the LFC the statute pertaining to this is ambiguous. He told the committee members it would be reasonable to ask the legislature to clarify this and they would need draft legislation to accomplish this. Mr. Petesch responded to questions from various LFC members.

MOTION: **Senator Johnson** moved that legislation be drafted on behalf of the LFC, giving all statutory committees the authority to request an attorney general's opinion with a two-thirds majority vote. **DISCUSSION:** Discussion ensued regarding contents of the bill draft and what was needed to accomplish its goal. **VOTE:** Motion carried unanimously.

4. Montana Science and Technology Alliance: Update (Tape 1A-657)

Todd Younkin, Associate Fiscal Analyst, presented an update on the Montana Science and Technology Alliance (MSTA). (Exhibit 3-3B)

Carroll South, Executive Director for the Montana Board of Investments, presented a global overview of the status of the MSTTA program and explained the authority given to the Board of Investments by the 1989 legislature to administer the MSTTA. He told the LFC the program is a very complicated investment instrument, which has flaws.

Mr. South presented a detailed status report on each of the loans in the program, which was also included in Exhibit 3A. He then responded to questions from the committee members.

5. Information Requirements for Internal Service Rate Setting (Tape 2A-142)

A report on the information requirements for internal service rate setting was presented by Greg DeWitt, Senior Fiscal Analyst, and Todd Younkin. (Exhibit 4) The report included an evaluation of the current process, which identified some “shortcomings”, and recommendations for improving the decision process.

Jane Hamman from the Office of Budget and Program Planning (OBPP) told the LFC that they basically concur with the recommendations. She stated, however, they do have a concern with Recommendation 2 as outlined on pages 6 and 7 of the report, and gave an example of a unique situation, which might not work under this recommendation. Clayton Schenck, LFD Director, assured the LFC and OBPP that the LFD staff would work with OBPP staff on unique situations, such as that described by Mrs. Hamman, to come to a consensus about the rate process.

MOTION: Representative Jayne moved the LFC accept Recommendations 1, 2, and 3 with the provision that with regard to #2, all three entities (LFD, OBPP, and agency) work together on the details; and that the word “minimum” be removed from that recommendation. **VOTE:** Motion carried unanimously.

The report also included recommendations on how to improve the decisions. However, because of time constraints, **Chairman Lewis** told the LFC these would be presented for consideration and action at the March 2003 meeting.

6. TANF Update: FAIM Caseload and Committee Options Regarding HB 273 (Tape 2B-272)

Pat Gervais, Associate Fiscal Analyst, provided an update on the Temporary Assistance for Needy Families (TANF), which included information on Families Achieving Independence in Montana (FAIM) caseload and committee options regarding HB 273. (Exhibit 5)

MOTION: **Senator Zook** moved that the LFC adopt Option 3 as written on page 4 of the report. **DISCUSSION:** Members of the committee discussed the issue and potential outcomes of the various options. In response to a question by **Representative Forrester**, Chuck Swysgood, Director of OBPP, told the LFC that because of the legal interpretation they will reduce the programs proportionally, and that they are fully aware HB 273 is law and it specifies that the department will transfer a specific amount of money into the housing fund. He further stated that federal law dictates that you cannot put money in an account that would collect interest.

Mat Rude, Board of Housing, responded to questions from LFC members, explaining the process of expending the TANF money for housing loans. Hank Hudson, Administrator for Human and Community Services Division, DPHHS, also responded to questions from LFC members.

SUBSTITUTE MOTION: **Representative Jayne** moved that the LFC adopt Option 2 as written on page 4 of Exhibit 5. **ROLL CALL VOTE:** Motion failed with **Representative Jayne** voting yes.

VOTE ON ORIGINAL MOTION BY SENATOR ZOOK: Motion by **Senator Zook** to adopt Option 3 carried unanimously.

Following the vote on Senator Zook's motion, Pat Gervais recommended the committee specify an amount of money of the transfer. **MOTION: Senator Stonington** moved the language in the bill specify that the housing program would take a reduction equivalent to the proportional amount of the reduction assigned to the other programs. **VOTE:** Motion carried with **Representative Jayne** voting no.

Hank Hudson provided a status report on the FAIM II R Items. (Exhibit 6)

7. HJR 1 – Mental Health Services Subcommittee Update (Tape 2B-066)

Lois Steinbeck (Senior Fiscal Analyst) and Pat Gervais presented a summary report of the HJR 1 Subcommittee Meeting of November 27 and 28, as well as DPHHS October budget projections. (Exhibit 7) Senator Keenan provided comments on the status of the HJR 1 Subcommittee.

The October DPHHS budget status was presented in detail by Ms. Steinbeck and Ms. Gervais. Gail Gray, Director for DPHHS, and Chuck Swysgood provided the executive response. Ms. Gray told the committee the department is looking at many options to deal with the general fund shortfall. She explained the problems they are dealing with in trying to find a solution. She also complimented the LFD staff on an excellent job of their analysis of the current budget status. Mr. Swysgood agreed with Ms. Gray's comments and told the committee a decision would be forthcoming very soon. They responded to questions from committee members.

8. SB 495 – Part 1 - Implementation (Tape 4A-050)

Roger Lloyd, Senior Fiscal Analyst, presented a report on SB 495, Part 1 – Implementation. (Exhibit 8) Carroll South provided a response, explaining the original bill, its intent and amendments, and the reality of what actually happened. Mr. South responded to questions from the committee members and stated that the bill was implemented in accordance with the fiscal note and not by bill language. An update will be presented at the next LFC meeting.

FRIDAY, DECEMBER 7, 2001

ROLL CALL FOR DECEMBER 7, 2001

Rep. Dave Lewis
Rep. Gary Forrester
Rep. Joey Jayne
Rep. Dave Kasten
Rep. William Price
Rep. Joe Tropila
Sen. Greg Jergeson
Sen. Royal Johnson
Sen. Bob Keenan
Sen. Linda Nelson
Sen. Emily Stonington
Sen. Tom Zook
Clayton Schenck, Legislative Fiscal Analyst
Cindy Campbell, Committee Secretary

Call to Order (Tape 4A-050)

The 180th meeting of the Legislative Finance Committee (LFC) reconvened on Friday, December 7, 2001, and was called to order at 8:05 a.m. by **Representative Dave Lewis**, Chair, in Hearing Room 102 of the State Capitol, Helena, Montana.

9. General Fund Status (Tape 4B-038)

Terry Johnson reported to the LFC on the status of the general fund. (Exhibit 9) He responded to questions from various committee members.

10. Higher Education Issues (Tape 4B-708)

Pam Joehler reported to the LFC on the higher education issues. (Exhibits 10 & 10A) She gave an update on the status of the Postsecondary Education Policy and Budget Subcommittee and presented the public postsecondary education policy goals and accountability measures project proposal. Mrs. Joehler responded to questions by LFC members. **Representative Lewis** appointed **Senator Royal Johnson** and **Senator Emily Stonington** to the newly formed Postsecondary Education Policy and budget Subcommittee.

11. State Bonding Program: Update (Tape 5A-298)

Cathy Duncan, Associate Fiscal Analyst, presented an update on the State Bonding Program. (Exhibit 11) She answered questions from committee members.

12. Wildfire Suppression Costs: Update (Tape 5B-050)

Gary Hamel reported to the committee on the wildfire suppression costs. (Exhibit 12) He distributed revised Tables 1 and 2 with updated costs. He responded to questions from LFC members.

13. Information Technology Management Update (Tape 5B-150)

Greg DeWitt introduced the topic of Information Technology Management Update. Brian Wolf, CIO, presented an update on the status of the strategic plan for information technology and offered a preview of the plan he will be presenting at the March 2002 LFC meeting. (Exhibit 13) He also gave a status report on the strategic planning timeline.

14. Status of Interim Studies (Tape 5B-350)

Local Government Dedicated Revenues Subcommittee (SB 162 Review Subcommittee) – Jon Moe provided a status report on the SB 162 Review Subcommittee, which met on December 6, 2001.

Governor's Council on Education Funding (Education Funding Study) – Jim Standaert reported to the LFC on the status of the Education Funding Study. (Exhibit 14)

15. Corrections Population and DUI Unit Status (Tape 5B-620)

Lorene Thorson, Senior Fiscal Analyst, presented a report on the Corrections population and DUI unit status. (Exhibit 15) Joe Williams, Department of Corrections (DOC), provided comments on behalf of the department. A question and answer period followed with Bill Slaughter, Director, and Mike Ferriter, Administrator of Adult Community Corrections, answering numerous questions from the committee members.

16. Capitol Security Costs (Tape 6A-415)

Greg DeWitt presented a report on the capitol security costs. (Exhibit 16) He pointed out that his report does not include any costs associated with the September 11, 2001 events.

17. Informational Reports (Tape 6A-445)

The informational reports and operating plan changes and program transfers were included in the LFC notebooks but were not formally presented as there were no issues identified by the LFD staff. (Exhibit 17)

18. LFD Interim Work Plan: Review/Update (Tape 6A-450)

Clayton Schenck, Director of LFD, presented an update of the LFD interim work plan. (Exhibit 18)

19. Committee Business (Tape 6A-575)

Clayton Schenck presented the items under committee business. (Exhibit 19) He explained the LFD operating plan adjustment for the staff pay plan and asked for approval from the LFC. **MOTION: Representative Tropila** moved that the proposed LFD operating plan changes for fiscal 2002 as described in the LFA memo dated December 6, 2001 and as shown in the attached table be approved. It is understood that the operating plan change amount (\$82,511) is an estimate and may be adjusted slightly, and that it is a biennial appropriation. **VOTE:** Motion carried unanimously.

Representative Lewis asked for LFC approval to increase Clayton Schenck's base salary by 8.45%. **MOTION: Senator Johnson** moved the LFC approve an 8.45 percent base salary increase for Clayton Schenck. **VOTE:** Motion carried with **Representative Kasten** voting no.

Next LFC Meeting

The next meeting of the LFC will be held on March 14 and 15, 2002.

Adjournment

MOTION: Representative Tropila moved to adjourn. **VOTE:** Motion carried unanimously.

Meeting adjourned at 4:15 p.m.

Representative Dave Lewis, Chairman

Cindy Campbell, Committee Secretary

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